

SELLING ON CREDIT/PROTECT YOUR GOODS

About 10 years ago, the Personal Property Securities Act (PPSA) came into force, yet many sellers of goods don't know about it or view it as "too hard". Given the current trading climate, it would be a wise move to look at registering.

PPSA provides a mechanism to retain and protect title to goods supplied on credit. If your customer goes under it is important to try to recover the goods if money is unavailable. To obtain priority over other creditors you will need to:

1. Include a Retention of Title Clause or general security interest in the terms of trade; and
2. Register that interest on the on-line Personal Property Securities Register (PPSR).

(Note the purchaser must agree to the registration)

the cost of registering each security is approximately \$2 regardless of the debt.

To find out more go to www.ppsr.govt.nz.

It is important that all goods and services sold on credit should only be delivered after the customer completes and signs a "terms of trade" application. If goods or services are being provided to a limited liability company try to obtain a personal guarantee from directors and shareholders.

Register under the "PPSR" for goods over a certain dollar amount (say \$1,000). Registration should be done within 10 working days of starting to trade with the creditor.

Where you are continuing to make supplies on a regular basis, register a financing statement against all customers.

For more information regarding these please contact us.

TAX CHANGES

1. Personal Tax Rates

The last Government introduced personal tax cuts that came into force from 1 October 2008. This means for the year ended 31 March 2009 personal tax rates will be:

Income to	\$9,500	13.75%
\$9,501 to	\$14,000	16.75%
\$14,001 to	\$38,000	21.00%
\$38,001 to	\$40,000	27.00%
\$40,001 to	\$60,000	33.00%
\$60,001 to	\$70,000	36.00%
\$70,001 and over		39.00%

When the National Government took over last November they confirmed the previous tax cuts, but made further cuts for the 2009-2010 year to:

Income to	\$14,000	12.50%
\$14,001 to	\$48,000	21.00%
\$48,001 to	\$70,000	33.00%
\$70,001 and over		38.00%

Tax cuts were also announced for the following two tax years but the Prime Minister has made the comment that these tax cuts will depend on the economic situation, so watch this space.

2. PIE's

There is no change in the rate of tax that public PIE's will deduct tax (currently 30%) which is a final tax. This means income from these PIE's is not included in your tax return. However, if your marginal tax rate is less than 30% you may be paying too much tax. If these types of investment confuse you please talk to us.

3. Independent Earner Tax Credit

This is a new tax credit that will start from 1 April 2009 and is for middle income earners who are not entitled to Working For Families and other assistance packages. Therefore it covers people with no children earning between \$24,000 and \$48,000 for the year. It starts at \$10 per week but abates after earnings above \$44,000 for the year and is not payable after you reach \$48,000. If you earn less than \$24,000 for the year there is no tax credit.

This tax credit is expected to increase to \$15 per week after 1 April 2010 and income levels at which no credit is available will rise up to \$50,000 per year.

4. Research & Development Tax Credit

The new Government is abolishing this tax credit and the 2009 year will be the last year it is available. Therefore it is a one year tax credit.

5. KiwiSaver

From 1 April 2009:

- the minimum employee contribution rate will reduce from 4% to 2% of gross salary or wages.
- the \$40 annual fee subsidy will cease.
- compulsory employer contributions will be capped at 2% of an employees gross salary or wages.
- the employer tax credit will be removed.

The member tax credit of up to \$20 per week and the \$1,000 Kick-Start on joining KiwiSaver remain.

KiwiSaver members currently contributing 4% or 8% continue to do so however employees can from 1 April 2009 opt to reduce to the minimum (2%).

6. Provisional Tax

The 3rd instalment of 2009 provisional tax due 7 May 2009 (for tax payers with 31 March balance date) will be reduced so that the 2009 provisional tax is equal to your 2008 final tax, rather than an extra 5%.

It is also intended that the threshold for paying provisional tax, currently \$2,500, will increase to \$10,000. This means many tax payers will not be liable to pay provisional tax, but your tax bill will be payable as one lump sum on 7 April the following year. The proposal merely defers the payment, and will assist with some cash flows, but it still needs to be budgeted for.

TAX CHANGES con.....

7. Use of Money Interest

From 1 March 2009 the interest rate to be charged by IRD on unpaid taxes will reduce from 14.24% pa to 9.73% pa. Interest on over payments will also reduce from 6.66% pa to 4.23% pa.

8. GST

From 1 April 2009 the threshold for using the "Payments Basis" has increased from \$1.3M to \$2M. The threshold for GST registration increased from \$40,000 to \$60,000. Businesses will still be able to register voluntarily if under the threshold. If you are currently turning over between \$40,000 and \$60,000 and want to deregister please talk to us regarding the ramifications.

9. Fringe Benefit Tax

From 1 April 2009 the threshold for filing fringe benefit returns annually rather than quarterly has been raised from \$100,000 of PAYE payable annually to \$500,000.

This will mean 98% of employers will be able to prepare an annual FBT Return rather quarterly returns. The value of minor fringe benefits that employers can provide to employees without attracting FBT will rise from \$200 to \$300 per quarter per employee and from \$15,000 to \$22,500 a year per employer.

10. PAYE

If your annual PAYE payments to IRD exceed \$100,000 PAYE needs to be paid twice a month. From 1 April 2009 the threshold has increased to \$500,000.

Therefore if the PAYE you pay annually is between \$100,000 and \$500,000 and you want to reduce PAYE payments to once a month, give us a call.

11. Legal Expenses

Not all types of legal expenses are currently tax deductible even though they are a business cost. This has changed so that any business legal expenses made of \$10,000 in total for the year commencing 1 April 2009 will be fully tax deductible.

NZ TRADE & ENTERPRISE TRAINING PROGRAMMES

This programme is funded by NZ Trade & Enterprise throughout NZ to assist motivated owners and managers of businesses with the potential to grow.

The programmes are restricted to existing businesses employing less than 50 full time staff, but exclude not for profit organisations. Workshops are run on over 90 different topics and followed up by a coaching session.

AND THEY ARE FREE

Topics included:

- Business Planning
- Marketing
- Managing Resources
- Finance

To get more information go to:

www.enterprisetraining.co.nz in the Auckland area

ACC Are you paying too much??

If you are self employed you may wish to consider ACC Cover Plus "Extra". This provides greater flexibility and certainty by paying an agreed level of weekly compensation. This can also be used for non-PAYE shareholder employees.

Rather than having any compensation linked directly to your income discounted to 80%, Cover Plus Extra enables you to agree in advance an amount of cover that is required should you have an accident. The advantage is you don't need to calculate the loss of earnings, you only need to prove you can not work. Pay out times should occur a lot quicker than under the default scheme. However in some cases the premium is slightly higher but there is peace of mind.

Cover Plus Extra is also ideal for new to business clients where cover can be agreed rather than waiting until the first full years accounts have been completed.

ACC have on-line calculators for you to see which product is best for you and what it will cost visit:

www.acc.co.nz or give us a call.

SPREAD YOUR ACCOUNTING FEES

As cashflow tightens up during these tough times we would like to remind you that we have the following options for paying your accounting fees:

Fixed Price Agreement

A set fee for the year's compliance work that is billed monthly and paid by automatic payment. No further fee for the year.

Estimate

We estimate your total fee and break monthly invoices payable on the 20th of each month, any under or over on the job is either refundable or billed on completion.

Lump Sum

Preparation of accounts to draft stage billed for time incurred and the finalisation of accounts again billed for time to completed. Payable 20th of month following invoice date.

Please discuss with us if you wish to change your current billing arrangement.

DONATION REBATES

The maximum refund limit has been lifted for charitable donations. Previously the maximum refund was \$630 but for the 2009 year onwards it is only limited to one third of your taxable income.

If your taxable income is \$40,000 and you donate \$10,000, the rebate will be \$3,333. (One third of \$10,000 donation).

ANOTHER LONG TIME

John Hewitt, one of the founders of the practice, has decided he wants to have a change of scenery for his "twilight years" after 29 years with Hewitt Scaletti Waters.

He has decided to practice on his own from a Howick location and allow more time to reduce his golf handicap.

We wish him well in his new venture.
